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MEMORANDUM FOR: Assistant Director, Office of Special Activities

SUBJECT: DOD-CIA Equipment Loan Agreement

REFERENCE: Agreement between the Secretary of Defense and the Director of Central Intelligence on Responsibility for Equipment on Loan, undated, (BPAM-64-0027)

1. On 3 March Col. Giller convened a conference in his office concerning the subject agreement. Persons in attendance in addition to Col. Giller included Mr. Robert Fuchs, Mr. John M. Clarke, [redacted] and the undersigned.

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2. You will recall recent uncertainty as to the scope of the subject agreement, particularly as it might apply to the assets within the National Reconnaissance Program. With that in mind in discussions with Larry Houston we inserted a sentence in the first paragraph, "The NRO program is not within the purview of this agreement."

3. Mr. Robert Fuchs presented this modification to Mr. Hoover, representing the Department of Defense. Mr. Hoover suggested in turn that such an inclusion was a one-way street with everything favoring CIA. This brought into issue the loan of a U-2 to SAC which was subsequently lost in the fall of 1963, and whether it would be included as a loss to be borne by this Agency. In addition, Mr. Hoover suggested inclusion of NRO constituted a security difficulty as the agreement did receive rather wide distribution. Everyone has agreed the latter point is a mere administrative difficulty.

4. I believe the participants also agreed that the proposed approach is, in fact, weighted in favor of the Agency. The result of the discussion is to suggest a compromise.

a. The retro-active provision (effective date 1 July 1963) will be removed, as a result present arrangements regarding replacement of the U-2 lost in Cuba are not effective.

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b. General Carter, in his transmittal letter to Mr. Vance, will call out the view that NRP assets are unique and we do not regard them as part of the equipment intended to be covered by the agreement.

c. Hereafter when we loan a unique piece of equipment that cannot be readily replaced, we will consider the agreement and determine whether it is necessary to make as a condition of the loan exclusion of the equipment from this arrangement.

5. Mr. John M. Clarke has the responsibility for drafting the communications to DOD for General Carter's signature. I will keep in touch to identify any variation from the above.

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Chief, Programs Staff
(Special Activities)

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